

CAPCOST PLUS System Processing

The Accounting Standards Board has established that if an original cost or investment of an item is significant and its useful life exceeds one year, the cost should be considered a capital cost and recovered over the life of the equipment. CAPCOST PLUS calculates the annual capital costs associated with investments and produces a time series of repayment schedule or capital costs generated as the result of the investment.

The program can study an individual asset, a single vintage of assets, or multiple ages. Program results are produced for each category on a year to year basis, plus a summarization of all categories. The model can be used by itself, or accessed as a subprogram.

CAPCOST PLUS calculates the depreciation allowance of various classes of plant based on the average depreciation lives of the plant. It also calculates the capital cost based on the user's value of money. The model also takes into consideration various tax treatments and the firm's capital structure, as well as the desired rate of return, in the computation of capital costs.

CAPCOST PLUS will load investment inputs with engineered, furnished and installed investment, land, building, power and common equipment expenses, and inflation factors. The model allows the user to input the various operating expenses and to apply them to the levelized unit book cost and produce the operating expenses flowing from the project. The model determines gross receipts taxes identified with the project's capital and operating expenses.

CAPCOST PLUS Applications

CAPCOST PLUS allows the user to develop studies of an individual investment, a single vintage of investments, or investments of multiple vintages. The model gives the user a quick and easy way to determine capital costs for network investment analysis, competitive bids, special rate authorizations, special services studies, custom tailored network projects, and carrying charges studies. CAPCOST PLUS is especially powerful when used in conjunction with the various Bellcore network models.

Summary

The interdependence of various network components, manufactured by different vendors, possessing different capacities, and operating at different utilization levels to provide a wide range of customer services, creates a dilemma for the telecommunications cost analyst.

It is to resolve this dilemma that Bellcore has created the family of cost models described in this brochure. Collectively, these models examine and calculate basic function costs for all parts of the network and aggregate them from the perspective of individual services.

The established methodology employed by these models, which reflect the engineering and operations parameters of the network being analyzed, insures relevant cost outputs possessing a high degree of accuracy and reflect cost causality of services and the network infrastructure. This validity accounts for their wide acceptance within the telecommunications field.

The information these cost models provide helps telephone company managers to make informed business decisions and enhances the financial accountability of their network operations. In today's increasingly sophisticated and competitive environment, such knowledge can be the strategic differentiator.

Where regulatory requirements demand complete cost accountability, these Bellcore cost models have long demonstrated their ability to provide the detailed and accurate answers needed.

Adaptations are made to all of the Bellcore cost models in order to appropriately reflect each telecommunication provider's unique environment. These customizations insure that the results incorporate local technologies, engineering practices, and network architectures.

Of paramount importance, Bellcore's cost models offer users a complete package, from full documentation through hands-on and concept training, to telephone user support and assistance when needed.

In addition, Bellcore's depth and breadth of costing expertise is available to provide in-depth consultation on costing, regulatory and tariff design issues. Let these widely used and accepted cost models help you determine the costs of your network services.

If you would like to know more about the Bellcore Telecommunications Network Cost tools introduced in this brochure, call Joyce Lockwood on 908-699-8741.